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Message Text

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22
ACTION AF-08

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 L-03 CIAE-00
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E.O. 11652: N/A
TAGS: EINV, ET
SUBJ: NATIONALIZATION OF AMERICAN FIRMS

REF: STATE 294409

1. QUESTION RAISED IN REFTEL HAS NOT BEEN ADDRESSED, SO FAR AS EMB IS AWARE, BY COMPENSATION COMMISSION OR OTHER GOVT BODIES. BASED ON INFORMAL CONVERSATIONS WITH CHARTERED ACCOUNTANT FIRMS CURRENTLY ACTIVE IN PREPARING BALANCE SHEETS AND OTHER DOCUMENTATION FOR AFFECTED BUSINESS ENTERPRISES, IT APPEARS THAT THERE IS NOT LIKELY TO BE A NEAT DIVISION BETWEEN STOCK OF NATIONALIZED COMPANIES ON THE ONE HAND AND THEIR ASSETS ON THE OTHER. THEORETICALLY THE VALUE OF STOCK OF NATIONALIZED COMPANIES SHOULD BE ORIGINAL

CAPITAL PLUS ACCUMULATED RESERVES DEVIDED BY NUMBER OF SHARES OUTSTANDING. IT SEEMS LIKELY, HOWEVER, THAT ACCUMULATED RESERVES FIGURE WILL BE CHALLENGED AS IT IS DETERMINED, IN PART, BY METHODS USED TO VALUE ASSETS. CONSEQUENTLY, UNTIL AGREEMENT IS REACHED ON ASSET VALUE, ALLEGED ACCUMULATED RESERVES WILL BE SUBJECT TO REVISION. ACCOUNTANT FIRMS HAVE RECEIVED NO FEFINITIVE GUIDELINES FROM THE GOVT WITH RESPECT TO THIS PROBLEM AND BALANCE SHEETS PREPARED FOR INDIVIDUAL FIRMS AS OF THE DAY OF NATIONALIZATION ARE BEING JOINTLY EXAMINED ON A CASE BY CASE BASIS BY PREVIOUS OWNERS AND GOVT MANAGEMENT REPS BUT NOT MEMBERS OF THE COMPENSATION COMMISSION. THEREFORE, EVEN IF AGREEMENTS IS REACHED BY FORMER OWNERS AND GOVT REPS, THE COMPENSATION COMMISSION IS PRESUMABLY STILL FREE TO CHALLENGE THESE BALANCE SHEETS.
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2. IT ALSO SHOULD BE BORNE IN MIND THAT THERE WAS NO SIGNIFICANT
STOCK MARKET IN ETHIOPIA AND THAT, WHAT LITTLE TRADE IN STOCK HAD
OCCURRED IN PREVIOUS YEARS, WAS DISCONTINUED SEVERAL MONTHS BEFORE
NATIONALIZATION OCCURRED.

3. EMB IS NOT CLEAR AS TO THE DISTINCTION BETWEEN STOCK HOLDER
OR REP FOR ALL STOCKHOLDERS AND COMPANIES MANAGEMENTS.
IT SEEMS TO US, IN MOST CASES AT LEAST, THIS WOULD BE ONE AND
THE SAME INDIVIDUAL OR GROUP OF INDIVIDUALS.
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